

## **CHAPTER 2**

### **PRE-AWARD ASSESSMENT**

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## CHAPTER 2

### PRE-AWARD ASSESSMENT

*As director of the Community Development Agency in Midtown, William Lee was looking for an organization to help run the city's new housing rehabilitation program in the South Park neighborhood. William had heard about a local non-profit agency that was doing 'great things' in housing, according to several Midtown city councilors. Based on this endorsement, and with assurances from the non-profit's Director about the quality of its work and its commitment to the neighborhood, William didn't feel a more formal assessment of the organization's capacity was necessary. He selected the non-profit as a subrecipient without determining whether the subrecipient had the administrative systems and procedures necessary to comply with CDBG regulations.*

*Eight months later, the CDA's monitoring revealed that the non-profit had incurred substantial program expenses before the environmental review process was completed, rendering those expenses unallowable. Moreover, although the non-profit was doing high quality rehabilitation work, staff had failed to maintain documentation on household eligibility, procurement of materials, progress payments, or final inspection of the work. When William called to find out how this had happened, the non-profit's Executive Director said that he had never paid much attention to bureaucratic 'red tape,' and focused on 'results rather than paperwork.' The next day, William received calls from two city councilors wanting to know why he was 'harassing' such an outstanding organization.*

#### INTRODUCTION

This chapter focuses on procedures for assessing the capabilities of prospective subrecipients **prior to** awarding them CDBG funds. Because many local CDBG programs have been funding the same subrecipients for several years, you should also apply these procedures in deciding whether to continue to use your current subrecipients.

There is no regulatory requirement that grantees formally assess prospective subrecipients. Your authority to “designate” an organization as a subrecipient is one of the features of this category of service provider that distinguishes it from a contractor. (You can select contractors only after a formal procurement process designed to afford “free and open competition.”)

#### Importance of Pre-Award Assessments

A thoughtful pre-award assessment of potential subrecipients can:

- reduce the risk of major problems later on, and
- increase the chances for success.

Whether you are selecting new subrecipients or extending current Subrecipient Agreements, it is helpful to know ahead of time what to prepare for and what to fix ***before the Agreement is signed***. You may have to live with the problem a long time if you don't.

**There are no perfect subrecipients.**

You should not view the pre-award assessment of potential subrecipients, or the review of the prior performance of current subrecipients, as attempts to weed out all organizations except those with a perfect track record. Ideal subrecipients probably do not exist. Instead, you should treat the assessment process as a way to measure the strengths and weaknesses of prospective organizations and to identify potential problem areas in working with them, so that you can develop support mechanisms to strengthen these organizations in the future.

*Pre-award assessments are essential for effective:*

- ❑ *Selection*
- ❑ *Subrecipient Training Design*
- ❑ *Technical Assistance*
- ❑ *Subrecipient Agreements*
- ❑ *Performance Monitoring*

Pre-award evaluations can help you:

- decide which of several prospective subrecipients to select for a particular activity;
- identify early training and technical assistance that you can provide to potential subrecipients lacking previous CDBG experience;
- include special conditions in the written Subrecipient Agreement that make initial or continued funding contingent on the agency's correcting particular deficiencies by a mutually agreed-on date; and
- identify special monitoring procedures, such as more frequent on-site visits or special audits, to assure the subrecipient organization is achieving its goals.

*CDBG Entitlement grantees should take steps to evaluate prospective operating agencies, and implement a formal screening process for all applicants.*

Given this prior knowledge, you can better balance your future monitoring and technical assistance responsibilities with the administrative resources that you have available. When the pre-award evaluation process is complete, you will know exactly which organizations need what kind of monitoring support.

Even when the selection of a particular subrecipient appears to be inherently “political” and pre-determined, it is helpful to identify the particular areas where you are likely to have problems. For existing subrecipients, pre-award screening closes the previous year's monitoring loop.

### FACTORS IN A PRE-AWARD ASSESSMENT

Factors used to determine selection of subrecipients should be based on both the quality of the project and the capacity of the subrecipient to carry it out. For example, in judging whether to use a specific organization as a subrecipient, you should examine:

- the nature of the activity or activities;
- whether the proposed plan for carrying out the activity is realistic;

### Are the activities eligible for funding?

*A common problem faced by grantees is that subrecipients undertook activities that were ineligible under the CDBG regulations. To prevent that from happening to you, be sure you have a substantive project description and scope of services before committing CDBG funds to the activity.*

- the organization's capacity to do the work and do it in a timely manner; and
- the possibility of any potential conflicts of interest.

It is surprising how many grantees continue to fund activities without determining their eligibility for funding under CDBG guidelines (§570.201-207 of the CDBG regulations). **One of your first steps should be to verify the eligibility of proposed activities.** Certain activities are excluded automatically. For example, “partisan political activities” such as voter transportation or candidate forums, no matter how impartially structured, are never eligible activities under CDBG rules. On the other hand, housing construction can be an eligible activity, but only under certain circumstances. CDBG funds generally cannot be used for assistance relative to “buildings or portions thereof used for the general conduct of government.” However, this prohibition does not apply to the removal of architectural barriers (see §570.207(a)(1)), or where social services operate out of such a building. It is very important, therefore, to check the eligibility of each proposed activity. Sometimes a small change is all that is required to assure the proposed project conforms to the CDBG regulations.

### Does the activity meet a National Objective?

*Make sure your subrecipients are aware of the National Objective their activity is expected to meet as well as the records to be maintained to document compliance.*

You should also evaluate **how the proposed activity addresses the National Objective of providing benefit to low- and moderate-income persons, preventing or eliminating slums or blight, or meeting other urgent community development needs.** For each activity there must be a logical, documented connection to a National Objective. As noted in the Appendix to Chapter 1, the standards for meeting and documenting compliance with a National Objective can vary depending on the particular activity undertaken. Be particularly careful in assessing housing and economic development activities.

You should also assess the consistency of the proposed activity with the community's Consolidated Plan and with your CDBG program priorities.

### Is the design of the proposed activity appropriate?

You should evaluate the adequacy of the proposed program design or service delivery approach.

- Does the activity adequately address an established need?
- Has the prospective subrecipient identified all the major tasks that will be involved in carrying out the activity?
- Does the organization understand the interrelationship of these tasks, and has it developed a realistic schedule for their accomplishment? Are there any stumbling blocks to prompt implementation?

**Does the organization have the capacity to complete the activity as proposed?**

*See the Application Rating System and the Risk Analysis Matrix in the Appendix to this chapter for a sample of techniques you can use to select subrecipients for funding.*

- Has the organization made a careful estimate of the resources necessary for each component of its proposed program, and has it put together a realistic budget that reflects these resources? Are other sources of funds, when indicated, committed to this project?
- Is the budget for the CDBG funded activity separate from other activities undertaken by the subrecipient?

Finally, you should assess the prospective subrecipient's **overall organizational capacity**.

- Has the organization ever undertaken the proposed activity before, and what was the result?
- Does the organization have experience with the Community Development Block Grant or other Federal programs?
- Do the prospective subrecipient's staff appreciate the additional requirements associated with Federal funding (for example, when staff split their time between CDBG and non-CDBG functions, keeping detailed records of time spent on specific activities)?
- Is the organization familiar with the specific regulatory requirements associated with the proposed activity (such as Davis-Bacon prevailing wage requirements for new construction or rehabilitation projects involving eight units or more)?
- What is the organization's "track record" regarding compliance with such requirements?
- Does the prospective subrecipient have adequate administrative and fiscal structures in place to deal with these guidelines (particularly record keeping)?
- If not, does it recognize its organizational weaknesses, and has it developed a plan for upgrading these aspects of its operations?
- Does the organization have qualified staff for all the necessary functions associated with the proposed activity, and is there adequate staff time available?
- If not, how does the organization plan to fill these gaps in personnel?

*See Appendix 2 for a sample application package.*

**MODELS FOR  
PERFORMING PRE-  
AWARD ASSESSMENTS  
AND SELECTING SUB-  
RECIPIENTS**

**Model 1: A Formal  
Application or RFA Process**

The Appendix to this chapter provides a sample subrecipient application for CDBG funding that was developed with the assistance of Oakland, California. Part A, Abstract of an Application, lists the basic elements that should be included in the application and/or as supplemental information requested by the grantee after it has been determined that the subrecipient has submitted a priority proposal and has the capacity to carry it out. The sample application can be modified to fit a variety of the following approaches to selecting subrecipients.

You can use a variety of approaches to selecting subrecipients:

- **Model 1: formal application or request-for-application (RFA) process;**
- **Model 2 simplified or limited application, with grantee follow-up;**
- **Model 3: grantee survey of qualified organizations, with direct solicitation;**
- **Model 4: response to unsolicited applications; or,**
- **Model 5: review of existing subrecipients' performance, before renewing their participation.**

Under this model, the prospective subrecipient is required to submit a formal application to the grantee, generally as part of the grantee's planning process for developing its subsequent year's CDBG Action Plan. In the application, the prospective subrecipient describes its proposed activity(ies), implementation schedule, budget, and staffing structure, as well as its related past experience and how the organization intends to assure compliance with the program regulations that apply to the proposed activity(ies). The grantee then evaluates each application according to explicit selection criteria, its CDBG program priorities and (if the proposed activity is housing-related), the local priorities as expressed in the Consolidated Plan.

Among the models discussed here, this one most closely resembles the competitive procurement process used in selecting contractors, although with subrecipients there is likely to be a variety of activities proposed, and “lowest price” will not necessarily be a factor in deciding which organization to select. The formal application process is recommended when:

- (1) activities are numerous and/or complex,
- (2) there are many potential applicants with varying degrees of expertise and capacity,

- (3) the cost and level of risk of program failure are high, thereby requiring greater care and more time, and/or
- (4) there are limited funds and many competing needs and/or approaches for addressing these needs.

### Pros and Cons of a Formal Application or RFA Process

**Pros:** This approach *places the full responsibility with the applicant* to prepare a thorough, written description of its expertise, capacity, and program design. This approach also allows you to compare applicants on a broad range of selection criteria, since each must submit similar applications. The Request-For-Application format should provide prospective subrecipients with an overview of the regulatory issues they must address. Their responses will reveal their awareness of and capacity to deal with these program requirements. At the same time, the formality of the process helps to assure the consistency of the evaluation process. (It should be noted, however, that the applicant's responsibility to describe its capacity and program design does **not** relieve the grantee of its ultimate responsibility for ensuring compliance with all applicable requirements.)

**Cons:** The approach in Model 1 rewards experienced subrecipients or organizations that can write strong applications (or hire consultants to write them). Although they may be aware of the weighting criteria used in evaluating applications, these agencies may not be organizations that can run good programs. Because the Model 1 approach may require considerable effort to prepare the application, less experienced applicants or those with smaller staffs may not apply, thereby depriving you of well-qualified applicants. In addition, your time involved in assessing and scoring applications (and reviewing the scores with unsuccessful applicants) can be substantial. This approach may allow you to bring in new subrecipients only once a year.

### Model 2: Simplified Application, with Grantee Follow-up

This model, a toned-down version of Model 1, requires applicants to provide a more general description of their proposed activity(ies), organizational experience, and capacity to do the work. Applicants need not produce detailed written explanations of how they will address the regulatory requirements of the CDBG program. However, they are required to demonstrate their organization's ability to meet those selection criteria that you choose to specify. (For example, for a new job training program you might want to specify how many training slots are to be filled, what disciplines are to be taught, and what the budgeted cost is for each trainee over what period of time.)

The grantee reviews prospective agencies' general descriptions to narrow the number of applications under consideration. The grantee then requests the most promising organizations to provide more detailed information regarding their capacity or to answer questions about their program design.

Model 2 may be useful when there are several inexperienced providers with limited ability to respond to a formal RFA, the level of program complexity (and therefore, risk of failure) is moderate or low, and/or the grantee wants to maintain the largest possible pool of qualified applicants.

**Pros and Cons of a Simplified Application with Grantee Follow-up**

**Pros:** This approach makes it easier for new or inexperienced organizations to prepare an application and participate in the application process, at least through the first round “cut”. The open process tends to encourage a wider group of prospective subrecipients to apply for consideration by the grantee.

**Cons:** This approach shifts much of the burden for developing a complete picture of the prospective subrecipients’ qualifications from the applicant to the grantee. Grantees have to devote more time for pulling this information together. In addition, because the award criteria used at each stage may be less clear than in Model 1, grantees may be subject to more criticism or challenge over how they made their selections.

**Model 3: Grantee Survey of Qualified Organizations, with Direct Solicitation**

In this approach, the grantee first identifies a *pool of qualified organizations*. This can be done informally, through discussions with knowledgeable community sources or through the internal information that the Community Development office has acquired over the years. Alternatively, the grantee can periodically issue a general request for qualifications (RFQ) to local organizations in order to maintain up-to-date information about qualified subrecipients.

From this pool, the grantee can then identify the qualified organizations to carry out a desired CDBG activity and approach them directly to determine their interest and suitability for the work. (This latter step is crucial to avoid the problems described in the vignette at the beginning of this chapter.) Assuming that this process confirms an organization’s capacity, the grantee has the option either to solicit an application from the organization for the work to be undertaken or to move directly to negotiate a written Agreement. (See Chapter 3.)

**Pros and Cons of a Grantee Survey, with Direct Solicitation**

**Pros:** With this approach the grantee can take a more proactive approach in deciding which is the “best” subrecipient to meet its needs. Because this approach tends to be more focused and entails deliberations involving fewer organizations, it can also be less time-consuming for agency staff.

**Cons:** One of the “pluses” of this approach, that it may be a less public process, can also be a significant disadvantage.



That is, it is vulnerable to criticism about favoritism on the part of the grantee, and as a less open process, may be subject to more political pressure. By focusing on fewer organizations, the grantee also may unintentionally be overlooking or excluding qualified agencies that it would like to get involved in its local CDBG effort. Finally, any tendency on the part of the grantee to be less rigorous in evaluating the capacity of the organization(s) it approaches can result in performance problems later on.

**Model 4: Unsolicited Applications**

It is quite likely that prospective sponsors of community development activities (both public and private) will contact you directly to request funding for a special project. The activities involved may or may not conform to your funding plans, and it is your responsibility to determine the merit and feasibility of the application. Certainly, this determination includes an assessment of whether the project meets a National Objective and whether the proposed activity or activities are eligible under the CDBG regulations.

If your preliminary review determines that the application has merit and that there is funding available, this model becomes the same as Model 2 or 3. Regardless of the size or complexity of the proposal, you should require the sponsoring organization to submit a formal application much like those suggested in Model 2 or 3. This will assure that all prospective subrecipients are treated the same way, and more importantly, that you have the same opportunity to review crucial information about the capacity, experience and reliability of the prospective sponsor as in other evaluation formats.

**Pros and Cons of Unsolicited Applications**

**Pros:** The advantages of Model 4 are similar to those of Models 2 and 3. However, there are two additional benefits. First, the unsolicited nature of the application suggests that the applicant is already motivated and in some way committed to undertaking the work and is not simply responding to your request. Second, unsolicited applications can reveal opportunities to address community needs that your agency may have overlooked or permit a more timely response to emerging needs.

**Cons:** You never know when you might receive an unsolicited application and whether there are political considerations attached to it. Following up the application may take time away from other matters. If politics are involved, your protection is knowing that you and your agency will observe the same process and criteria in responding to all applications. Another problem with unsolicited applications is that many times they are not received at an appropriate time in the funding cycle. The best applications may be received after the funds have been committed.

### Model 5: Reviewing the Performance of Current Subrecipients

Even if you, the grantee, are not seeking to identify new subrecipients for your programs, and intend to retain your current group of subrecipients, a pre-award assessment is still appropriate. Some of your current subrecipients may be marginal performers that need the accountability and feedback of such a review to motivate them to improve. Other subrecipients may be well-intentioned and generally well-run but unaware of specific weaknesses in their operations. Still others may be exemplary performers that deserve to have their achievements recognized. Even if the assessment itself is not sufficient to motivate subrecipients to deal immediately with problems in their daily operations, it can be used to develop special language for the written Subrecipient Agreement governing future funding. The assessment could, for example, require corrective action as a condition for continued participation in the CDBG program.

*For current subrecipients, the pre-award review should be a part of the annual monitoring process.*

*The pre-award assessment for extending current subrecipient agreements should be incorporated into your normal monitoring process.* To save time and effort, it makes sense to schedule your monitoring reviews to coincide with decisions about renewing subrecipients for another program year. Chapter Five of this Guidebook discusses detailed monitoring procedures.

### A MIXTURE OF APPROACHES

You may want to use different approaches with different activities and organizations, depending on the number of “new” versus “experienced” subrecipients that you want to consider, the amount of information that you have available on different organizations, or the demand by local organizations for CDBG resources.

### Making Your Selection Criteria Explicit

Regardless of the selection approach used, you are encouraged to **make your selection criteria explicit and, as much as possible, tie these criteria directly to the CDBG program requirements.** In addition, it would be appropriate to identify all of the applicable rules, including environmental reviews, anti-discrimination, and accessibility standards as part of the Request for Applications. This will serve several purposes, among them:

- By presenting the criteria explicitly at the beginning of the process, you can reduce the number of questions that may arise over the objectivity and fairness of your assessments; and
- By tying the criteria to Federal program requirements, you can begin to educate prospective subrecipients and the community at large about the regulatory constraints that limit how you operate the local CDBG program.

Finally, if local elected officials who are not part of the agency responsible for the CDBG program gain a better appreciation of the Federally imposed regulatory constraints under which the local CDBG program must function, the political pressure they may exert to select a particular organization or to assist a particular constituency can be reduced.

### **DEALING WITH A SCARCITY OF QUALIFIED ORGANIZATIONS**

You may want to add new activities to your CDBG program, but find that there are not enough local organizations with the necessary experience and administrative systems to function effectively as subrecipients. In such cases, you can:

- **carry out the desired CDBG activities yourself;**
- **find or develop organizations with the necessary capacity; or**
- **not undertake the new activities.**

If the proposed activity is critical for revitalizing a targeted neighborhood or meeting the needs of a particular population, then deferring action may not be an option. In addition, if your administrative capacity is already stretched thin, it may be very difficult for you to take on new activities yourself.

### **Expanding the Pool of Subrecipients**

You may find, therefore, that in order to increase the diversity and effectiveness of your CDBG effort, your only reasonable course of action is to create and nurture greater subrecipient capacity. While there will be an initial cost to this capacity-building effort, you may be able to view it as an investment with a future return.

If you decide to support one or more start-up organizations as new subrecipients, you will probably encounter two issues unique to new organizations: incorporation and start-up financing. Although CDBG funds can be used for capacity building, in most cases funding for start-up costs may have to be secured from other sources such as foundations, other non-profit agencies, or corporations that support local community development efforts. Most law firms, for example, can provide assistance with incorporation either for a modest fee or on a *pro bono* basis.

Once you have selected an organization to participate in the CDBG program for a particular program year, you must execute a written agreement with the designated subrecipient. Drafting useful Subrecipient Agreements is the subject of Chapter 3.

**NOTES:**

**CHAPTER 2: APPENDIX**

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### **SAMPLE SUBRECIPIENT APPLICATION PACKAGE**

Among other features, application packages provided to prospective subrecipients for use in proposing activities for CDBG funding should have the following characteristics:

- 1) Provide a clear explanation of the CDBG program, so that subrecipients understand what they are applying for and what their responsibilities will be;
- 2) Indicate the grantee's funding priorities;
- 3) Be detailed enough to capture all important information regarding eligibility, compliance with National Objectives requirements, and the schedule for project implementation;
- 4) Not be so elaborate or forbidding that subrecipients are discouraged from applying; and
- 5) Provide enough information about the subrecipient organization to permit grantees to make reasonable judgments about the subrecipient's qualifications to carry out the proposed activity.

The sample application materials on the following pages provide a good example of the important features listed above. City Agencies generally submit a more abbreviated list of documents.

**Previously Funded Subrecipients:** Most grantees that review applications received from previously funded subrecipients make allowances for information they already have about the subrecipient in order to make the application procedure less burdensome. One suggestion is to include a question in your application that addresses subrecipients with prior CDBG experience, such as, "Has anything changed on this item? If so, explain how and why." Alternatively, you might include a statement indicating which items need not be resubmitted, such as:

*"Private agencies that have applied in the past three years or are currently funded by the Office of Community Development do not need to submit Articles of Incorporation, tax exemption letters, an organization chart, and resumes of the program administrator and fiscal officer if they are on file in this office and they have not been changed since initially submitted."*

**SAMPLE SUBRECIPIENT APPLICATION**  
**(Developed with Assistance from the City of Oakland, CA)**

**Abstract of an Application** (It is recommended that total narrative be limited to no more than five pages.)

The application package should include a discussion of eligible and ineligible activities and National Objectives, such as found in the Appendix to Chapter 1, followed by the required data to be submitted by the prospective subrecipient for funding consideration. The application package should address the following items:

1. Summary of Eligible and Ineligible Activities (with references to relevant section of regulations)
  - Basic Eligible Activities
  - Eligible Rehabilitation and Preservation Activities
  - Special Economic Development Activities
  - Special Activities by CBDOs
  - Eligible Planning, Urban Environmental Design, Policy-Planning, and Management-Capacity Building Activities
  - Eligible Administrative Costs
  - Ineligible Activities
2. Data Required to be Submitted
  - (a) Project Summary (Narrative)
    - Need/Problem to be addressed (consistent with priorities established in Consolidated Plan)
    - Population/Area served (including estimated numbers of clients and other measurable outputs)
    - Description of work (including who will carry it out and how eligibility and National Objective requirements will be met)
    - Proposed Schedule of Work
  - (b) Detailed Budget Information including all funding sources
  - (c) Agency Information
    - Background/Program Experience
    - Personnel/Staff Capacity
    - Financial Capacity
    - Monitoring
    - Audit Requirements
    - Insurance/Bonding/Worker's Compensation
    - Any other additional information
  - (d) Standard Required Documents/Forms
    - Articles of Incorporation/Bylaws
    - Certificate of Good Standing with the State

- State and Federal Tax Exemption Determination Letters
- List of Board Members
- Authorization to Request Funds
- Designation of Authorized Official(s)
- Organizational Chart
- Resumes of Program Administrator and Fiscal Officer
- Annual Financial Statements and Audit
- Conflict of Interest Questionnaire (followed by a discussion of the conflict of interest provisions)
- Documentation of Compliance with National Objectives



## **RECOMMENDED APPLICATION DATA**

### **Project Summary**

Briefly describe the proposed project. The narrative should include the need or problem to be addressed in relation to the Consolidated Plan or other community development priorities, as well as the population to be served or the area to benefit. Describe the work to be performed, including the activities to be undertaken or the services to be provided, the goals and objectives, method of approach, and the implementation schedule.

In your project summary, further:

- ❑ Indicate how you will identify clients. Provide an estimate as the number of clients to be served and describe them in terms of age, gender, ethnicity, income level, and other defining characteristics.
- ❑ Be very specific about who will carry out the activities, the location in which they will be carried out, the period over which the activities will be carried out, and the frequency with which the activities will be carried out, and the frequency with which services will be delivered.
- ❑ For service programs, include how you propose to coordinate your services with other community agencies and leverage resources.
- ❑ Describe the site where the program will be implemented. How will clients get to the facility? What efforts will your agency and partners make to promote your program and reach isolated individuals? Describe how the facility complies with Americans with Disabilities Act (ADA) requirements regarding accessibility.

### **Project Budget**

Discuss all funding sources, proposed and confirmed. Complete the line item budget, Attachment A or B, as appropriate. All applicants must complete Attachment C.

### **Agency Information**

#### **Background/Program Experience**

Include the length of time the agency has been in operation, the date of incorporation, the purpose of the agency, and the type of corporation. Describe the type of services provided, the agency's capabilities, the number and characteristics of clients served, and license to operate (if appropriate).

#### **Personnel/Staff Capacity**

Briefly describe the agency's existing staff positions and qualifications, its capacity to carry out this activity, and state whether the agency has a personnel policy manual with an affirmative action plan and grievance procedure.

Financial Capacity

Describe the agency's current operating budget, itemizing revenues and expenses. Identify commitments for ongoing funding. Describe the agency's fiscal management, including financial reporting, record keeping, accounting systems, payment procedures, and audit requirements.

Monitoring

Briefly describe how you will monitor progress in implementing the program. Attach copies of all data collection tools that will be used to verify achievement of program goals and objectives. Describe who will be responsible for monitoring progress.

Audit Requirements

In accordance with the Office of Management and Budget Circular A-133, the Federal Government requires that organizations expending \$300,000 or more in Federal financial assistance in a fiscal year must secure an audit. Agencies requesting \$300,000 or more must choose one of the three ways of meeting this requirement and state which method they chose:

- 1) If your agency already conducts audits of all its funding sources including CDBG, the agency must submit a copy of its most recent audit, and may, at its discretion, include the CDBG portion of the audit cost in its CDBG project budget.
- 2) If your agency already conducts audits of its other funding sources but has neither received nor included CDBG in the past, the scope of the audit would be modified to incorporate CDBG audit requirements. The associated cost of the augmentation could then be included in the CDBG project budget, accompanied by the auditor's written cost estimate.
- 3) If your agency does not have a current audit process in place, your agency will be required to include a 10-percent set aside in the CDBG project for the provision of an audit.

Insurance/Bonding/Worker's Compensation

State whether or not the agency has liability insurance coverage, in what amount, and with what insuring agency. State whether or not the agency pays all payroll taxes and worker's compensation as required by Federal and state laws. State whether or not the agency has fidelity bond coverage for principal staff who handle the agency's accounts, in what amount, and with what insuring agency.

Additional Information

Include any other pertinent information.

**Standard Required Documents**

Articles of Incorporation/Bylaws

Articles of incorporation are the documents recognized by the State as formally establishing a private corporation, business or agency.

Non-profit Determination

Non-profit organizations must submit tax-exemption determination letters from the Federal Internal Revenue Service and the State Franchise Tax Board.

List of the Board of Directors

A list of the current board of directors or other governing body of the agency must be submitted. The list must include the name, telephone number, address, occupation or affiliation of each member and must identify the principal officers of the governing body.

Authorization to Request Funds

Documentation must be submitted of the governing body's authorization to submit the funding request. Documentation of this requirement consists of a copy of the minutes of the meeting in which the governing body's resolution, motion or other official action is recorded.

Designation of Authorized Official

Documentation must be submitted of the governing body's action authorizing the representative of the agency to negotiate for and contractually bind the agency. Documentation of this requirement consists of a signed letter from the Chairperson of the governing body providing the name, title, address and telephone number of each authorized individual.

Organizational Chart

An organizational chart must be provided that describes the agency's administrative framework and staff positions, indicates where the proposed project will fit into the organizational structure, and identifies any staff positions of shared responsibility.

Resume of the Chief Program Administrator

Resume of the Chief Fiscal Officer

Financial Statement and Audit

Conflict of Interest Questionnaire

Documentation of Compliance with National Objectives

Subrecipient

Project Title

Project #

**ATTACHMENT A: Line Item Budget Form – Service Projects**

**Guidance:** Please use the following format to present your proposed line item budget. In column A, list the items for which you anticipate the need for CDBG funds. In Column B, provide the calculation explaining how you arrived at the estimated cost of the line item. In Column C, provide the projected request for CDBG funds. On Attachment C, provide description of other funds and volunteer and donated services/resources to be used in the project.

A Budget Item	B Calculation	C CDBG Request
<b>PERSONNEL</b>		
<b>Salaried Positions – Job Titles</b>	Provide rate of pay (hourly/salary) and percentage of time spent on project (Full-Time Equivalent) or hours per week	
<b>Salaries Total</b>		
<b>Fringe Benefits</b>		
<b>PERSONNEL TOTAL</b>	Total of Personnel & Fringe Benefits	
<b>OPERATING COSTS</b>	Provide description of how you arrive at total for each line item	
<b>Supplies</b>		
<b>Equipment</b>		
<b>Rent/Lease</b>		
<b>Insurance</b>		
<b>Printing</b>		
<b>Telephone</b>		
<b>Travel</b>		
<b>Other</b>		
<b>TOTAL OPERATING</b>		
<b>CONTRACT SERVICES</b>		
<b>TOTAL CONTRACT SERVICES</b>		
<b>BUDGET TOTAL</b>		

Subrecipient

Project Title

Project #

**ATTACHMENT B: Line Item Budget Form – Construction/Acquisition Projects**

**Guidance:** Please use the following format to present your proposed line item budget. In column A, list the items for which you anticipate the need for CDBG funds. In Column B, provide the calculation explaining how you arrived at the estimated cost of the line item. In Column C, provide the projected request for CDBG funds. On Attachment C, provide a description of other funds and volunteer and donated services/resources to be used in the project.

A Budget Item	B Calculation	C CDBG Request
<b>PERSONNEL</b>		
<b>Salaried Positions – Job Titles</b>	Provide rate of pay (hourly/salary) and percentage of time spent on project (Full-Time Equivalent) or hours per week	
<b>Salaries Total</b>		
<b>Fringe Benefits</b>		
<b>PERSONNEL TOTAL</b>	Total of Personnel & Fringe Benefits	
<b>DELIVERY COSTS</b>	Provide description of how you arrive at total for each line item	
<b>Acquisition</b>		
<b>Development</b>		
<b>Rehab Hard Costs</b>		
<b>Physical Inspections</b>		
<b>Architectural Engineering</b>		
<b>Rehab Loan Costs</b>		
<b>Permits and Fees</b>		
<b>Insurance</b>		
<b>Legal Fees</b>		
<b>Financing</b>		
<b>Appraisal Costs</b>		
<b>Other</b>		
<b>TOTAL OPERATING</b>		
<b>CONTRACT SERVICES</b>		
<b>TOTAL CONTRACT SERVICES</b>		
<b>BUDGET TOTAL</b>		

**ATTACHMENT C: Supplemental Budget Form – Use of Other Resources**

- I. Describe your plans to use other funds on this project. In this section only describe funds that are secured. Provide the source of funds, amounts and how these funds will be used.
- II. Describe your plans to seek new funding to supplement CDBG funding. Describe the sources to which you will apply, the amounts sought and the proposed use of those funds.
- III. Describe your use of donated goods and services. Estimate the value of these services and describe how you arrive at these amounts.
- IV. Please provide an explanation for any unusual budget expenditures listed in the line item budget on the previous page.
- V. Explain why you consider your program costs to be reasonable.

**Basic Elements of a Subrecipient Application for Funding  
and Applicable Federal Regulations**

✓	Data	Description	Some Key Applicable Regulations
	1. Project Summary	A brief project description including: <ul style="list-style-type: none"> <li>• Need or problem</li> <li>• Population to be served</li> <li>• Geographic service area</li> <li>• Description of work and how it addresses the problem</li> <li>• Schedule for completion</li> <li>• Proposed accomplishments</li> <li>• Eligibility/National Objective</li> <li>• Proposed budget</li> <li>• Intended staffing</li> <li>• Other sources of funding</li> </ul>	24 CFR 570.200(a), 570.201–570.208, 507.503
	2. Agency Background	<ul style="list-style-type: none"> <li>• Years in operation</li> <li>• Purpose</li> <li>• Type of services provided</li> <li>• Agency’s capabilities</li> <li>• Experience with Federal Programs</li> <li>• Number/characteristics of clients served</li> <li>• License to operate</li> </ul>	24 CFR 570.506, 570.507, 570.610; 24 CFR Parts 84 or 85
	3. Personnel	Describe: <ul style="list-style-type: none"> <li>• Staff positions and qualifications</li> <li>• Policy/procedures manual</li> </ul>	24 CFR 570.506, 570.507, 570.601, 570.602, 570.607(b), 570.611
	4. Financial	Describe: <ul style="list-style-type: none"> <li>• Operating budget</li> <li>• Commitments for ongoing funding</li> <li>• Fiscal management (reporting, records, accounting principles)</li> </ul>	24 CFR 570.502–570.504, 570.506, 570.507, 570.610; 24 CFR Parts 84 or 85, and OMB Circulars A-87 or A-122; Treasury Circular 1075
	5. Audit Requirements	Organizations receiving \$300,000 or more in Federal financial assistance in a fiscal year must secure an audit.	OMB Circular A-133
	6. Insurance/Bonding/Worker’s Compensations	Indicate if agency: <ul style="list-style-type: none"> <li>• Has liability insurance</li> <li>• Pays payroll taxes and worker’s compensation</li> <li>• Has fidelity bond coverage</li> </ul>	24 CFR Parts 84 or 85
	7. Additional Information	Any other pertinent information	
	8. Standard Documents for Submission	<ul style="list-style-type: none"> <li>• Articles of Incorporation/Bylaws</li> <li>• Non-profit determinations</li> <li>• List of Board of Directors</li> <li>• Authorization to Request Funds</li> <li>• Authorized official designation</li> <li>• Organization Chart</li> <li>• Resumes of Chief Program Admin. and Chief Fiscal Officer</li> <li>• Financial Statement and Audit</li> <li>• Conflict of Interest Questionnaire</li> <li>• Framework for Documenting Compliance with National Objectives</li> </ul>	24 CFR 570.208, 570.500(c), 570.611  *Although these regulations do not require formal submission of all these documents at the point of application, the grantee can still request this information to obtain a better understanding of the organization, systems, and personnel of a potential subrecipient.

### **SUBRECIPIENT SELECTION CHECKLIST**

This checklist provides useful criteria for selecting subrecipients and assessing risk. A grantee should use such criteria to determine whether a prospective subrecipient has the necessary systems in place for the Federal requirements that impact the type of activity being proposed. The grantee should “walk through” a hypothetical scenario involving the proposed activity to assess how the requirements on the checklist will be handled. This will allow the grantee to gauge the completeness of the prospective subrecipient’s systems and determine whether any technical assistance and/or close oversight will be necessary.

- ☐ Project is eligible and meets one of the three broad National Objectives:
  - Principally benefits low- and moderate-income persons;
  - Prevents or eliminates slum or blight;
  - Addresses an urgent need or problem in the community.
- ☐ Project fits into the community priorities set out by the Consolidated Plan.
- ☐ Project can be completed within a reasonable time frame.
- ☐ Prior experience with CDBG related activities, **and/or**
- ☐ Prior experience with other grant programs, and proven record carrying out similar projects in the community.
- ☐ Financial capacity as indicated by audited financial statements and banking/credit references.
- ☐ Financial stability (not total dependence on CDBG funds) as indicated by other funding sources and amounts, over time.
- ☐ Adequate staffing (number of staff and qualifications).
- ☐ Organizational strength, including:
  - record-keeping methods;
  - filing system;
  - financial systems;
  - existence of a written procedures manual for financial management and personnel.



*The following summary scoring sheet represents the first stage of a two-part rating system developed principally by Palm Beach Co, FL, to select subrecipients and activities for CDBG funding. An application must score at least 50 points to be considered for stage II, which is a comparative analysis of each activity by a team of the county's Housing and Community Development (HCD) staff.*

### **APPLICATION RATING SYSTEM**

1. **Benefit to Low- and Moderate-Income Persons:** 5 Points

Five points will be given to activities that benefit at least 51 percent low- and moderate-income persons.

Zero points will be given to activities that meet either of the other two National Objectives.

2. **Benefit to Target Areas:** Maximum of 10 Points

Activities located within a Target Area containing Areas of Hope, will receive the maximum 10 points. Activities located in Target Areas with no Areas of Hope will receive 8 points. Activities adjacent to a Target Area will receive 5 points. All other activities will be awarded 3 points.

3. **Activity Need and Justification:** Maximum of 20 Combined Points

a. **Need:** Maximum of 15 Points

The activity will be evaluated in terms of the documentation and justification of the need for the activity. Activities with excellent documentation and justification will be awarded the maximum of 15 points: good, 10 points; average, 5 points; and poor, 0 points.

b. **Consolidated Plan Priority:** Maximum of 5 Additional Points

Activities addressing high priorities, as identified in the Consolidated Plan will be awarded 5 points.

4. **Cost Reasonableness and Effectiveness:** Maximum of 10 Points

The activity will be evaluated in terms of: 1) its impact on the identified need; and 2) its implementation costs and funding request relative to its financial and human resources. Evaluation will include the cost incurred per person per unit and the justification for a particular level of funding.

5. **Activity Management and Implementation:** Maximum of 20 Points

a. **Management:** Maximum of 15 Points

Points will be awarded to applicants based on documentation and information provided, showing that the resources needed to manage the proposed activity are available and ready, and that the commitment for operation and maintenance, where applicable, has been certified. In addition, for applicants that have received CDBG funds in the past, their record of maintenance for the funded activity will be evaluated.

b. **Implementation:** Maximum of 15 Points

Points will be awarded to applicants based on documentation and information provided, showing that the resources, such as funding, site control, etc., needed to implement the proposed activity are available and ready. Maximum points will be given to activities that are ready to move forward quickly. This criteria take into consideration factors that may accelerate or slow down the ability to implement the activity in a timely manner.

6. Experience and Past Performance: Maximum of 10 Points

The experience of the applicant, including the length of time in business and experience in undertaking projects of similar complexity as the one for which funds are being requested, will be evaluated.

In addition, the applicant will be evaluated in terms of its past performance in relation to any local, state, or Federal funding program. The past performance will refer to attainment of objectives in a timely manner and expenditure of funds at a reasonable rate in compliance with contract. Compliance with the contract will include but not be limited to submission of reports and adherence to the scope of services.

For those applicants that have not received CDBG funding from HCD in the past, allocation of points up to the maximum of 10 points will be awarded, dependent upon thorough documentation of similar past performances submitted with the application.

7. Matching Contributions: (Matching contributions must be eligible.) Maximum of 20 Points

a. Efforts to Secure Other Funding: Maximum of 5 Points

Points will be awarded based on the applicant's efforts to secure other funding for the activity.

b. Matching: Maximum of 15 Points

Points will be awarded based on the ratio of the amount of eligible matching funds to the amount of CDBG funds requested:

1.1 or more	15 points
.75-1	10 points
.50-1	7 points
.25-1	5 points
less than .25	0 points

8. Environmental Justice: Maximum of 5 Points

Applications will receive 5 points if the activity promotes environmental justice. Any activity that has a potential adverse impact on the environment or that is adversely affected by the surrounding environment will not be considered.

9. Application Completeness: Maximum of 5 Points

Applications will receive up to 5 bonus points, based on completeness. Applications that have not been signed will not be considered.

## **RISK ANALYSIS MATRIX**

*The following list identifies factors that grantees may use to rank the degree of risk associated with a potential subrecipient or application submitted for funding. Grantees may develop ranking and rating criteria based on risk analysis as part of the process for selection of subrecipients.*

### **Project Complexity**

- Size of dollar amount requested
- Use of funds:
  - For construction or rehab
  - For operation of facility
  - For program only

### **Type of Organization Requesting Funding**

- Non-profit
- For-profit (570.201(o))
- Governmental Agency

### **Complexity of Housing Project**

- New construction
- Rehabilitation
- Single unit/multi-unit
- Number of units
- Subrecipient's prior experience with this size and type project

### **Economic Development**

- Complexity of project
- Number of jobs to be created or retained
- Area benefit
- Providing direct grants and loans
- Providing technical assistance
- Subrecipient's prior experience

### **Potential Environmental Concerns**

- Degree of complexity
- E.I.S. needed

### **Other Type of Project**

- Degree of experience carrying out similar type project

### **Funding**

- Other sources of funds indicated, but not committed
- Other funds committed
- CDBG funds only

**Type of Assistance**

Grant  
Loan

**Float Loan**

Ability to repay within necessary time frame

**Program Income**

To be retained to continue with the same activity  
To be retained for a different activity  
To be returned to grantee

**Subrecipient Organization**

Newly created entity  
Well established, but no prior CDBG or Federal experience  
Prior experience with CDBG or other Federal programs  
No independent source of funding, i.e., general fundraising

**Subrecipient History, If Previously Funded**

Ability to deliver project within budget and on schedule  
Ability to anticipate and overcome past problems  
Any past monitoring issues raised  
Any special contract conditions needed

**Staffing**

Staff experienced with this type activity  
Have sufficient staff to carry out project or must hire  
Entity has significant staff turnover

**Recent Problems**

Unresolved monitoring findings  
Citizen complaints